



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Urges Tax Relief for Family Farms, Small Businesses

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today said providing tax relief and fairness for family farmers and small business owners is a key ingredient in any recipe for an economic stimulus.

“Wall Street gauges the economic slowdown by stock prices,” Grassley said. “Main Street uses the number of farmers buying equipment at the local dealer or taking out loans at the community bank. Both yardsticks are important, but only one leads to farm auctions and empty storefronts. To get the economy back on track, we have to visit both Wall Street and Main Street.”

Grassley said the nation bears a record tax burden, with family farmers and small business owners paying a significant part. They file their taxes as individuals and can pay a higher rate -- 39.6 percent -- than corporations at 35 percent, he said.

Grassley said President Bush’s plan to cut marginal individual income tax rates would greatly help farmers and small businesses. If the President’s plan were in effect, farmers and small businesses would pay a lower marginal rate than the Fortune 500 companies, Grassley said.

Grassley’s comments came after a hearing at which experts testified about the economic value of family farms and small businesses and the financial hardships they face. John “Skip” Bright, a community banker in Keokuk, Iowa, explained that community banks are struggling to secure deposits. People are investing their money on Wall Street instead of depositing it in local banks; this means community banks have less money to fund local farm and business growth, Bright said.

Bright called for initiatives that would help to keep lendable funds in local communities. He said he supported Grassley’s pending legislation to:

- ▶ Create Farm, Fishing and Ranch Risk Management (FFARRM) accounts. These farmer savings accounts would allow farmers to contribute up to 20 percent of their income in an account and deduct it in the same year. FFARRM accounts would be a very important risk management tool to help farmers put away money when there’s actual income, so that in the really bad times there would be a safety net. This enjoys strong bipartisan support and was approved in 1999 as part of the *Taxpayer Relief Act*, which President Clinton vetoed.

Bright said these accounts would “provide a badly needed source of funding for all types of lending.” President Bush’s budget blueprint includes farmer savings accounts, although exact details aren’t available.

- ▶ Strengthen “aggie bonds.” This expands opportunities for beginning farmers who need low-interest rate loans for capital purchases of farmland and equipment. Current law permits state authorities to issue tax-exempt bonds and to lend the proceeds from the sale of the bonds to beginning farmers and ranchers to finance the cost of acquiring land, buildings and equipment used in a farm or ranch operation.

Unfortunately, aggie bonds are subjected to a volume cap and must compete with big industrial projects for bond allocation. Grassley said aggie bonds share few similarities with industrial revenue bonds and should not be subjected to the same volume cap. Bright agreed, saying “this would encourage states to start aggie bond programs and provide more beginning farmers with low-cost capital.”

Grassley’s FFARRM accounts and aggie bonds proposals are part of his broad package of tax relief measures for family farms and fisheries. That legislation, introduced last month, is the *Tax Empowerment and Relief for Farmers and Fishermen Act* (TERFF), S. 312. The measure also reverses unfair IRS decisions on self-employment tax for farmers; provides a tax deduction for farmers and restaurants to donate to food banks; and offers income averaging for farmers who are caught in the Alternative Minimum Tax.

“Our nation’s safe and abundant food supply depends on family farmers,” Grassley said. “Most new jobs come from small businesses. It’s important for Congress to ease their tax burden. High taxes are the weeds that choke farm and small business growth.”